

Digimarc Corporation
Consolidated Income Statement Information
(in thousands, except per share amounts)
(Unaudited)

	Three Month Information	
	March 31, 2021	March 31, 2020
Revenue:		
Service	\$ 3,784	\$ 3,738
Subscription	2,916	2,451
Total revenue	6,700	6,189
Cost of revenue:		
Service	1,570	1,684
Subscription	791	514
Total cost of revenue	2,361	2,198
Gross profit:		
Service	2,214	2,054
Subscription	2,125	1,937
Total gross profit	4,339	3,991
Gross margin:		
Service	59%	55%
Subscription	73%	79%
Percentage of gross profit to total revenue	65%	64%
Operating expenses:		
Sales and marketing	4,941	5,246
Research, development and engineering	4,131	4,433
General and administrative	3,493	3,367
Total operating expenses	12,565	13,046
Operating loss	(8,226)	(9,055)
Other income, net	10	142
Loss before income taxes	(8,216)	(8,913)
Benefit (provision) for income taxes	(6)	5
Net loss	<u>\$ (8,222)</u>	<u>\$ (8,908)</u>
Earnings (loss) per common share:		
Loss per common share - basic	\$ (0.50)	\$ (0.74)
Loss per common share - diluted	\$ (0.50)	\$ (0.74)
Weighted average common shares outstanding - basic	16,333	12,037
Weighted average common shares outstanding - diluted	16,333	12,037

Digimarc Corporation
Consolidated Balance Sheet Information
(in thousands)
(Unaudited)

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 4,705	\$ 19,696
Marketable securities ⁽¹⁾	65,796	58,032
Trade accounts receivable, net	4,141	3,907
Other current assets	1,978	2,197
Total current assets	76,620	83,832
Marketable securities ⁽¹⁾	159	—
Property and equipment, net	3,144	3,272
Intangibles, net	6,609	6,612
Goodwill	1,114	1,114
Other assets	2,502	2,198
Total assets	\$ 90,148	\$ 97,028
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 3,008	\$ 2,827
Note payable, current	4,799	3,947
Deferred revenue	2,943	3,002
Total current liabilities	10,750	9,776
Lease liability and other long-term liabilities	2,325	2,295
Note payable, long-term	280	1,118
Total liabilities	13,355	13,189
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	17	17
Additional paid-in capital	256,200	255,024
Accumulated deficit	(179,474)	(171,252)
Total shareholders' equity	76,793	83,839
Total liabilities and shareholders' equity	\$ 90,148	\$ 97,028

(1) Aggregate cash, cash equivalents, short- and long-term marketable securities was \$70,660 and \$77,728 at March 31, 2021 and December 31, 2020, respectively.

Digimarc Corporation
Consolidated Cash Flow Information
(in thousands)
(Unaudited)

	Three Month Information	
	March 31, 2021	March 31, 2020
Cash flows from operating activities:		
Net loss	\$ (8,222)	\$ (8,908)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	363	374
Amortization and write-off of intangibles	177	201
Amortization of right of use assets under operating leases	118	117
Amortization of net premiums and (discounts) on marketable securities	(266)	97
Stock-based compensation	2,010	2,195
Changes in operating assets and liabilities:		
Trade accounts receivable	(612)	62
Other current assets	219	338
Other assets	(44)	19
Accounts payable and other accrued liabilities	501	61
Deferred revenue	(55)	(146)
Lease liability and other long-term liabilities	(177)	(159)
Net cash used in operating activities	(5,988)	(5,749)
Cash flows from investing activities:		
Purchase of property and equipment	(317)	(235)
Capitalized patent costs	(159)	(137)
Maturity of marketable securities	17,494	11,594
Purchase of marketable securities	(25,151)	(6,407)
Net cash provided by (used in) investing activities	(8,133)	4,815
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	—	574
Exercise of stock options	—	135
Purchase of common stock	(870)	(738)
Net cash used in financing activities	(870)	(29)
Net decrease in cash and cash equivalents ⁽²⁾	<u>\$ (14,991)</u>	<u>\$ (963)</u>
Cash, cash equivalents and marketable securities at beginning of period	77,728	36,817
Cash, cash equivalents and marketable securities at end of period	<u>70,660</u>	<u>30,570</u>
(2) Net decrease in cash, cash equivalents and marketable securities	<u>\$ (7,068)</u>	<u>\$ (6,247)</u>